

- First, the Cornell folks realized that all too often, the public is unaware of the rule-writing process, so they are spreading the word through a social media campaign.
- Next, they realized that most members of the public are not interested in reading a Federal Register notice that may easily be 100 pages or more. They use “layering” of information so you can quickly get an overview, but have the ability to dive deeper if you are interested in a particular point or subtopic.
- Also, they realized rulemakings involve complicated issues that can benefit from dialogue rather than just one-time letter writing. Besides presenting the information, Regulation Room hosts a forum for discussion. Even better, the forum is moderated to help answer questions and get more detailed information and feedback. Feel free to say that you do or don’t like our rule, but be prepared for a moderator to ask you to be more specific: Why do you feel that way? How could it be improved?
- Finally, they realized that most members of the public are unfamiliar with the formal commenting process at Regulations.gov (the official government site). So Regulation Room presents information and conducts a conversation right when a proposed rule first comes out, and then closes its forum down about a week before the end of the comment period so that the Cornell team can assemble all the feedback they have received into an official comment. People who have participated get one last chance to react to the summary before it is submitted formally to the CFPB through regulations.gov. And, like all other formal comments, we will read and consider it.

We are excited about this project for two reasons.

First: We really do want to hear what you think of our proposals on mortgage servicing.

Second: We want to learn as much as possible from this experience about how to get more public feedback in future rulemakings.

So head on over to [Regulation Room](http://RegulationRoom.com) and let us know what you think!

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Putting the ‘service’ back in ‘mortgage servicing’

BY DAVID SILBERMAN

Today, we’re proposing new mortgage servicing rules.

So, what’s mortgage servicing and why does it need the new rules?

The short answer is that mortgage servicing is the processing of mortgage payments. That may sound simple, but as many borrowers have learned in the aftermath to the financial crisis, it can get complicated very quickly.

When you make a mortgage payment, part of that pays interest on the money that you borrowed, and part of that actually repays the money that you borrowed. Often the company that owns your mortgage hires someone else – a servicer – to collect and apply these payments, along with handling other day-to-day responsibilities in administering the loan.

This can be a challenge due to sophisticated mortgage products, partial payments, delinquent borrowers, fees, errors and misunderstandings. And when consumers can’t make their mortgage payments, servicers are the ones that decide what to do. As we saw during the recession, not all servicers were prepared to handle these challenges. And that can have very bad consequences for consumers.

Why are you proposing new rules?

When an agency writes a new rule, that rule must first be proposed, and the public has an opportunity to comment on it. After we get your comments we’ll review them and consider them while we’re writing the final rule.

How did you arrive at these rules?

Several of them are required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (which we call the Dodd-Frank Act for short). We developed others in response to issues in the marketplace. To do this, we have spent a lot of that time talking to the public because we want to write rules that work. For us, rules that work are rules that protect consumers, are consistent with other rules that apply to servicers, recognize the impact on lenders and mortgage investors, and do not cause unnecessary burden on industry. So, in addition to meeting with consumers, consumer advocates, servicers, trade associations, and mortgage investors, we worked with a design team, conducted consumer testing, and met with small servicers to develop these proposals.

What are the new rules?

We are proposing rules on mortgage servicing to implement new laws in the Dodd-Frank Act. Our proposals have new rules that are designed to put the service back in mortgage servicing, and will benefit borrowers by eliminating surprises and run-arounds. The rules are divided into two proposals – one to amend the regulations in the Truth in Lending Act (Regulation Z) and the other to amend the regulations in the Real Estate Settlement Procedures Act (Regulation X). The rules are:

- **Monthly mortgage statements**
Servicers would be required to provide clear billing statements including information on the loan, amount due, and application of past payments.
- **Warnings before interest rate adjustments**
Servicers would be required to provide consumers with a new notice 6 to 7 months before the first rate adjustment, as well as earlier and improved notices before rate adjustments causing an increase in a consumer's mortgage payments.
- **Force-placed insurance**
Servicers can only charge borrowers for buying insurance on the property when they have a reasonable basis to believe that the borrowers have let their own insurance lapse and have given borrowers two notices estimating the cost of the "force-placed insurance."
- **Early outreach for delinquent borrowers**
Getting a delinquent borrower back on track requires early intervention and information about options available.
- **Prompt crediting of payments**
Payments must be applied as of the day they are received, and the handling of partial payments is clarified.
- **Accurate information management**
Servicers must have reasonable policies to ensure that when borrowers provide documents and information the servicers can find and use them.
- **Error resolution and information requests**
Mistakes happen, but they need to get fixed. Servicers must address borrower concerns about possible errors within certain timeframes and provide the information they request.
- **Direct and ongoing access to servicer personnel**
Delinquent borrowers will be able to contact the right people at their servicer to get information and take steps to avoid foreclosure.
- **Evaluation for alternatives to foreclosure**
Servicers would be required to appropriately review borrower applications for loan modifications or other options to avoid foreclosure.

How can I get involved?

We want your comments by October 9 – here's how to weigh in:

- Read a summary of these proposals or the whole Truth in Lending Act proposal and the whole Real Estate Settlement Procedures Act proposal, and either:
- Participate in the formal comment process by going to Regulations.gov (TILA Servicing or RESPA servicing) to send us your comments, or
- Visit our partner, the Cornell e-Rulemaking Initiative, to read other summaries of the rules on www.regulationroom.org and participate in an on-line conversation about them. Cornell will share with us a summary of the feedback that you and others provide.